

Message Text

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C O N F I D E N T I A L LONDON 12973

EXDIS

E.O. 11652: GDS

TAGS: EAID, USEGJC, UK

SUBJECT: EMERGENCY AID TO EGYPT

REF: STATE 198666

1. WE CALLED ON NORMAN STATHDM, ASSISTANT UNDER-SECRETARY, FCO, AUGUST 21 TO REVIEW EMERGENCY AID TO EGYPT, STRESS POLITICAL AND ECONOMIC CASE FOR URGENT ACTION AT THIS TIME AND ASK FOR IMMEDIATE PLEDGE OF BILATERAL AID TO OFFSET DELAYS IN UTILIZATION OF PREVIOUSLY ANNOUNCED TIED AID LOANS. (STATHAM, IN CHARGE OF TRADE RELATIONS AND EXPORTS DEPARTMENT, AND FINANCIAL RELATIONS DEPARTMENT, IS SENIOR ECONOMIC OFFICIAL IN FCO AT PRESENT.) WE EMPHASIZED EGYPT'S INABILITY TO UNDERSTAND WHY LARGE INDUSTRIAL COUNTRIES CANNOT PROVIDE CONCESSIONAL FINANCING OF THEIR EXPORTS TO EGYPT. STATHAM SAID HE UNDERSTOOD OUR POSITION' WOULD TAKE NOTE OF OUR APPROACH AND RETURN TO US WITH HMG'S RESPONSE ASAP.

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2. HE STATED THAT THE UK HAS DISCUSSED AID TO EGYPT

WITH ITS EC PARTNERS. HE MADE IT CLEAR THAT THE UK CAN ONLY THINK OF "TOKEN" CONTRIBUTION AT THIS TIME GIVEN RECENT CUTS IN PUBLIC EXPENDITURE AS RESULT OF BRITISH RECESSION. THIS WAS CONVEYED BY SECRETARY OF STATE CALLAGHAN TO THE EGYPTIANS IN JUNE. STATHAM ALSO ASKED IF US WAS THINKING OF SPECIFIC FIGURE FOR UK AID. WE SAID WHILE OUR INSTRUCTIONS DID NOT CITE SPECIFIC FIGURE FOR UK, EVIDENCE OF TANGIBLE AND SUBSTANTIAL SUPPORT FROM WESTERN ALLIES IS WHAT IS MOST NEEDED AT THIS TIME. STATHAM ADDED THAT FURTHER DISCUSSION OF AID TO EGYPT AMONG THE EC POLITICAL DIRECTORS WAS PLANNED FOR MID-SEPTEMBER. HE WILL REVIEW THIS TIMETABLE TO SEE IF IT CAN BE SPEEDED UP IN LIGHT OF URGENCY OF OUR APPROACH.

3. COMMENT: STATHAM'S REPEATED REFERENCE TO UK'S INABILITY TO PROVIDE MORE THAN TOKEN GESTURE OWING TO DEPRESSED ECONOMIC SITUATION AND RESTRICTED AID BUDGET MAKE IT DOUBTFUL THAT UK WILL BE WILLING TO MAKE MORE THAN GESTURE AT THIS TIME. WE WILL CONTINUE TO PURSUE ISSUE WITH EMPHASIS ON PRESSING NEED FOR EARLY UK ACTION. WOULD BE HELPFUL IN THIS CONNECTION TO BE ABLE TO CITE INTENTIONS OF OTHER PROSPECTIVE DONORS.

RICHARDSON

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